# FIRST QUARTER 2016 EARNINGS REVIEW REMARKS

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[Zach Dailey]

Welcome to Marathon Oil Corporation's first quarter 2016 earnings review. The synchronized slides that accompany this review can be found on our website, at MarathonOil.com. Additionally, we'll conduct a live question and answer webcast on Thursday, May 5th, at 7:30 am Central Time / 8:30 am Eastern Time.

Slide 2 contains a discussion of forward-looking statements and other information included in this presentation. Our review will contain forward-looking statements subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Please read our disclosures in our SEC filings for additional discussion of these items.

Reconciliations of the non-GAAP financial measures we discuss can be found in the quarterly information package on our website.

Participating on this webcast are Lee Tillman, President and CEO; J.R. Sult, Executive Vice President and CFO; Lance Robertson, Vice President, Resource Plays; and Mitch Little, Vice President, Conventional. With that, I'll turn the presentation over to Lee Tillman who will begin on slide 3.

[Lee Tillman]

Thanks Zach. I'd like to extend my welcome to those listening, and begin by providing a few highlights.

In the first quarter, we continued our focus on strengthening the balance sheet amid very challenging commodity pricing that saw crude and condensate realizations in North America dip below $30 a barrel, down 25 percent sequentially. We delivered total Company net production at the upper end of our guidance range at 388,000 oil equivalent barrels per day, including 204,000 oil equivalent barrels per day in the U.S. resource plays.

We continued our rigorous focus on cost reduction, with North America E&P production costs down 22 percent from the year-ago quarter to $6.17 per BOE despite declining volumes.

Operationally, our high GOR oil wells in the Eagle Ford at 200 foot stage spacing continued performing about 20 percent above offset wells spaced at 250 feet. Importantly, these oil wells comprise 60 percent of the forward well inventory in the Eagle Ford.

In early April, we announced $950 million of non-core asset sales, bringing the total to $1.3 billion since August of 2015 and far exceeding our target. This early success allows us tremendous flexibility to achieve our plan of living within our means in 2016.

Along with our quarter-end liquidity of $5.4 billion which reflects the proceeds from our equity offering in February, we are well positioned to respond to more constructive and sustainable pricing.

The chart on slide 4 illustrates a quarterly progression of our capital program. We continued the trend of significant reductions this quarter as part of our $1.4 billion 2016 budget. In the first quarter, total Company capex was on track at $366 million, about 80 percent of which was allocated to the U.S. resource plays.

Slide 5 illustrates first quarter production that reflected both our planned EG downtime and reduction in resource play activity levels. We came into the year running 8 rigs in the Eagle Ford, 2 in Oklahoma, and 1 in the Bakken. By the end of the first quarter, we maintained the same two rigs in Oklahoma but were down to 5 Eagle Ford rigs and no rig in the Bakken.

First quarter E&P production came in at 339,000 oil equivalent barrels per day, at the high end of our guidance. Similarly, production from the oil sands was also at the high end of guidance, at 49,000 barrels per day of synthetic crude oil.

U.S. resource play production averaged 204,000 oil equivalent barrels per day, a 5 percent decline from fourth quarter levels predominantly driven by almost 30 percent fewer net working interest wells brought to sales in the Eagle Ford.

I'll now turn it over to J.R., who will walk through the quarterly financial results.

[J.R. Sult]

Thanks Lee.

Beginning on slide 6, adjusted net loss was $317 million, or $0.43 per diluted share, in the first quarter, compared to an adjusted net loss of $323 million, or $0.48 per diluted share, in the prior quarter. Results this quarter were negatively impacted by lower average crude oil and condensate price realizations which were down nearly 25 percent quarter-over-quarter. Results were also impacted by lower volumes during the quarter, due to planned and unplanned downtime in the International E&P segment, the divestiture of Gulf of Mexico producing properties in the fourth quarter of 2015, and lower activity levels in the resource plays. These were offset by lower exploration expense compared to the prior quarter which included the impact of the Solomon well in the Gulf of Mexico.

Reported net loss was $407 million, or $0.56 per diluted share in the quarter, compared with a loss of $793 million, or $1.17 per diluted share last quarter. The adjustments to reported results for the first quarter included a loss on the sale of non-core assets, an unrealized loss on derivative instruments, as well as pension settlement and severance costs. Reported net loss was also reduced sequentially due to impairments in the fourth quarter.

Total company cash flow can be seen on Slide 7. In the first quarter, operating cash flow before changes in working capital was $55 million, down from the previous quarter due to previously mentioned lower commodity price realizations and lower volumes partially offset by cost reductions. Total net cash provided by operating activities was $74 million during the quarter.

Additions to property, plant and equipment, including accruals, for the period were $359 million as compared to $561 million in the prior quarter.

During the first quarter, we issued 167 million shares of common stock to strengthen our balance sheet and for general corporate purposes, including funding a portion of our capital program, resulting in net proceeds of $1.2 billion.

At quarter end, our cash balance was approximately $2.1 billion which, when combined with our undrawn revolving credit facility, resulted in total liquidity of $5.4 billion.

With that brief summary, I'd like to hand it over to Lance to review the Company's North America E&P segment performance for the quarter.

[Lance Robertson]

Thanks J.R.

Before I take everyone through our operational highlights by asset, I would like to spend a moment to discuss the quarterly financial results for the North America E&P segment.

Turning to slide 8, the North America E&P segment had an after-tax loss of $195 million during the first quarter, compared to an after-tax loss of $219 million in the prior quarter. The sequential improvement in segment loss was primarily due to lower exploration expenses that partially offset more challenging price realizations and lower sales volumes.

North America E&P sales volumes averaged 239,000 BOE per day in the first quarter, down from both the year ago quarter and the prior quarter primarily due to a full quarter without volumes from the sale of the Gulf of Mexico producing assets, the majority of which were closed in December, and our forecasted decline in the resource plays as a result of the reduction in activity levels. I'll address the individual assets' production variance in the coming slides.

Slide 9 highlights the continued decrease in North America E&P costs, both on an absolute and total unit basis. In the first quarter, we reduced absolute production costs by $68 million, or 34 percent, from the prior year quarter, reflecting ongoing internal efficiency and commercial improvements.

As a result, production costs per BOE averaged $6.17 for the first quarter, down 22 percent from the year ago quarter. This reflects continued focus on managing the base business efficiently, with broad-based, durable reductions in labor, maintenance, water handling, chemical consumption, and well work.

With that overview of the North American E&P financial performance, I will move to review first quarter operational activity from our three U.S. resource basins.

I'll start with the Eagle Ford on slide 10 where we continue to make great strides increasing efficiencies and reducing costs. As shown in the chart in the upper-left, we produced an average of 120,000 net BOE per day in the first quarter, down 6 percent from the prior quarter driven by 27 percent fewer net wells to sales.

The chart in the lower left illustrates the consistent reduction of drilling costs per foot as we increase our feet drilled per day each quarter. The Eagle Ford is now drilling 2,300 feet per day on average, with the fastest wells drilled at an average of 3,300 feet per day, all while achieving geo-steering within a specific 20 foot zone at a 97 percent rate.

In addition to reducing completed well costs to $4.3 million this quarter – down about 35 percent year-over-year – we've been able to reduce production expenses per BOE by 15% year-over-year.

The last point here will transition us to the next slide, which is directed around our strategy to drill our 2016 high GOR oil wells at 200 foot stage spacing, or tighter. We brought 15 of these wells to sales in the first quarter, and they're delivering, on average, about 20 percent higher initial production than our offset wells at wider spacing. These first quarter results are consistent with our fourth quarter pilot well group that also delivered a 20 percent average early uplift compared to offset wells.

On slide 11, we highlight 30-day IP rates from our first quarter wells at 200 foot stage spacing. On the Karnes County pads, you'll notice we're continuing our co-development and stack & frac concepts, where we combine Austin Chalk, Upper Eagle Ford, and Lower Eagle Ford wells, with strong results from all three horizons, including the Upper Eagle Ford where we now have over 50 producing wells.

Based on the early successful results, we moved our standard completion design to 200' stage spacing in our oil type curve areas and are currently testing down to 150 foot per stage. Assuming we continue to see consistent uplift of these wells, we'd expect a future EUR uplift to wells in the same areas as production matures. As a reminder, about 60 percent of the Eagle Ford's remaining inventory resides in high GOR oil wells.

In the quarter, we also moved to tighter 200 foot stage spacing down dip into the condensate window with four wells in the southeast part of our Karnes County acreage. These wells came to production late in the quarter and we are encouraged by their early results. We will continue to test tighter stage spacing into the condensate window in the second quarter.

On slide 12, I'll review the first quarter performance in Oklahoma where our focus this year is protecting our valuable leasehold in the STACK while delineating the various phase windows in both the SCOOP and the STACK.

Production here averaged 27,000 net BOE per day in the first quarter, down from 28,000 BOE per day sequentially, partially due to lower than expected wells to sales from our outside-operated program. We brought three wells to sales in the quarter, led by the Voss well in the STACK Meramec. The Voss was a 5,000 foot lateral and exceeded our internal expectations for this part of the volatile oil phase window. Its 30-day IP is 755 BOE per day with higher liquids content at almost 80 percent and when compared to recent offset wells is competitive on a productivity per lateral foot basis. We increased the proppant loading on the Voss well relative to industry wells in the area. This well has also been on a restricted choke during flowback as part of our effort to define the optimal flowback strategy to drive long-term value from STACK wells.

In addition to the Voss, we also participated in four outside operated STACK wells in the quarter whose IP rates on a 30-day basis ranged from 400 – 2,100 BOE per day and with an 81-86 percent liquids content. With each new well result, we continue to refine our understanding of the play and optimize completion parameters while focusing on lease retention.

In the second quarter, we'll bring 4 STACK wells to sales, all extended laterals in the Meramec near the Blaine / Kingfisher County line. The first two, the Irven John and Olive June, were drilled off the same pad and are currently undergoing completions.

Moving down to the SCOOP, our second Springer well, the Bruton Trust, was an updip oil test designed to test the northeastern extent of the current core area. We discovered mechanical issues with the well during flowback which led to plugging back to a lateral length of about 1,300 feet. Our first operated Springer well, the Newby, continues to perform above expectations with the 90-day rate exceeding the initial 30-day rate.

The Bruton Trust Springer well was drilled off the same pad as our Janice SCOOP Woodford well. The Janice well continues to clean up, and hasn't yet achieved peak rate.

We participated in several outside-operated SCOOP wells in the first quarter with a wide range of 30-day IPs, and similar to our own Janice well, those rates continue to improve as the wells clean up.

In the second quarter, we'll bring three SCOOP Woodford extended lateral wells to sales, two of which have already been completed and have just started flowback. Initial rates from these wells are consistent with our expectations.

Moving to the Bakken on slide 13. Production averaged 57,000 net BOE per day in the first quarter, relatively flat sequentially with only 6 gross operated wells to sales. While we released our last rig during the quarter, Bakken base production continues to benefit from the enhanced completions of the 2015 wells and higher production uptime.

In the first quarter, we further increased the intensity of our completions to about 8 million pounds of proppant per well. 30-day IPs from this group were encouraging, ranging from 630 – 1,425 BOE per day.

The five wells on our second West Myrmidon pad, the Clarks Creek pad, have been drilled and are currently undergoing completion operations. These wells – in the Middle Bakken, first and second benches of the Three Forks – will have 12 million pounds of proppant and 40 – 45 stages each. We expect these wells to come to sales in the second quarter.

The Bakken team continues to focus on cost management and has reduced production expense per BOE over 35 percent year-over-year as we've focused on the base business, reducing expenses across the operation, including labor, maintenance, and water handling.

Despite low current activity levels, the Bakken team continues to focus on protecting their margins through lower costs and higher production reliability while continuing to optimize their completion strategies.

With that, I'll hand it over to Mitch, who will review the highlights of our International E&P and Oil Sands Mining segments.

[Mitch Little]

Thanks, Lance.

Moving to slide 14, I will start with a review of quarterly financial results from International E&P. Segment income decreased from the previous quarter to $4 million, reflecting lower sales volumes as a result of planned downtime in EG and repairs in the UK, as well as lower average crude oil and condensate price realizations.

Equity earnings from our EG onshore processing plants were $14 million in the quarter, lower than the previous quarter, reflecting the planned downtime as well as lower realizations. In an effort to increase the visibility of value generated from the three onshore plants in EG, we've disclosed our pro rata share of EBITDA from the plants for the first time, which was $38 million in the first quarter. Additional detail can be found in the quarterly information package on our website.

Production available for sale in the International E&P segment was at the top end of our Q1 guidance. At the Alba Field in E.G., installation of the new compression platform and planned maintenance activities were carried out with less downtime than previously expected. Commissioning and start-up of the compression platform remains on schedule for first production mid-year while base production continues to benefit from last year's re-completion and development programs.

In the UK, first quarter volumes were impacted by repair activities following a process pipe failure last December at the Brae Alpha facility. The Alpha platform was recently returned to production, restoring normal operations across the Brae Fields. No additional maintenance activities, of significance, are planned during the remainder of the second quarter.

We continue to proactively focus on cost management to help protect margins. First quarter production costs (excluding Libya) were 15 percent lower than the previous quarter, leading to unit production costs (ex- Libya) of $5.09 per BOE.

Turning to our Oil Sands Mining performance on slide 15. OSM delivered another quarter of strong operational results, producing 49,000 barrels of synthetic crude oil per day net of royalty. Production was in-line with fourth quarter production and at the high end of guidance, demonstrating continued momentum of higher operational availability.

OSM reported a loss of $48 million during the first quarter, compared to a loss of $6 million in the prior quarter, primarily driven by lower realizations and a temporary mix shift to a heavier barrel due to the accelerated turnaround at the expansion upgrader and the Jackpine mine.

Despite the impacts associated with accelerating planned maintenance activities into Q1, operating expense per synthetic barrel before royalties was $28.80, down over 15 percent from the year-ago quarter as a result of sustainable reductions in mine expenses, improved reliability, and currency effects. This marks the third consecutive quarter of operating costs below $30 per barrel.

In summary, we're continuing our rigorous focus on margin protection across the business through diligent cost management, maintaining high operational availability, and a strong commitment to our health, environmental and safety performance standards.

With that, I'd like to turn it back to Lee for final comments.

[Lee Tillman]

Thanks Mitch.

We have been proactive since the beginning of the year aggressively executing our plan of strengthening the balance sheet, despite a volatile and uncertain commodity environment.

The proceeds from our equity offering during the quarter allowed us to de-risk our business plan through 2017 and give us additional flexibility to begin playing offense at the appropriate time while maintaining a strong balance sheet. At the end of the first quarter, we had $5.4 billion of liquidity, including $2.1 billion in cash.

We are resolute in our commitment to ongoing portfolio management, and after recently exceeding our target of non-core asset sales, we're on pace to comfortably achieve our objective of balancing cash inflows and outflows this year, inclusive of asset sales.

The first quarter's capital program was $366 million, down almost $200 million from the fourth quarter of 2015 and consistent with this year's plan.

Operationally, we delivered company production at the upper end of guidance and continued to see uplift from the improved completion designs like decreasing the stage spacing on Eagle Ford wells, while also capturing further drilling and completion efficiencies.

In the International segment, we reached a significant milestone toward first production from our compression project in EG, with the successful installation of the jacket and topsides.

Oil sands mining delivered another strong quarter for both cost management and production.

We continue to progress with meaningful and sustainable cost reductions across the business, with total E&P production and adjusted G&A expense down almost $100 million from the year-ago quarter and North America unit production costs down over 20 percent for the same period.

Our objective of strengthening the balance sheet remains a priority and provides us the flexibility and confidence to respond as we continue to monitor the dynamics of global supply and demand for improving fundamentals that can sustainably support higher prices, and ultimately increased activity levels.

That concludes our prepared remarks and we look forward to your questions during the live webcast tomorrow morning. Thank you.